

5/2 10-1959

STAT

MEMORANDUM FOR: General A. J. Goodpaster
The White House Staff

SUBJECT: Soviet Bloc Efforts at Penetration of
Latin America

The attached report has been prepared by this Agency
in response to your recent request for a brief statement
of Communist political and economic penetration in Latin
America. I hope that it will provide a satisfactory
answer to Senator Capehart.

ALLEN W. DULLES
Director

Enclosure:
Subject Report.

Distribution:

Orig. and 1 - Addressee

1 - 0001 2 - DCI ✓
2 - DD/I (in cy enc) ✓
2 - AD/RR
1 - D/S/RR

OAD/RR:OEB:uthe:amm/ [] (14 March 1958)

APPROVED:

STAT

Deputy Director/Intelligence

Handwritten: H. R. ... Reading (w/ cy enc)

Soviet Bloc Efforts at Penetration of Latin America

During the past two years, countries of the Soviet Bloc, led by the USSR, have demonstrated an awakened interest in the political and economic life of Latin America. This interest has manifest itself in a closer and more active direction of local Communist Parties, in new diplomatic ties, and in an expansion of economic relations.

While all of these interests have been pursued simultaneously, they have, for the most part, been separate endeavors, coordinated at high policy levels in the Soviet Union, but assigned separate operational direction. Since the information which permits an identification of these interests is available primarily from analysis of Bloc operations in Latin America, this paper summarizes these activities under two operational categories: (I) subversion and diplomacy; (II) economic penetration.

I. Subversion and Diplomacy

Since 1955, the Communist movement in Latin America, with Soviet and Chinese guidance and support, has adopted more effective political tactics, has improved its regional coordination, has trained its leaders in both overt and clandestine methods of work, has strengthened the various national party organizations, and has renewed its drive to infiltrate significant national and international organizations and opinion media. Thus, although there has been no great overall increase in regional membership, the Communists are better prepared to register rapid gains in influence under favorable conditions.

The largest and best organized Communist parties are those of Argentina (70-80,000), Brazil (50,60,000), Chile (20,000), Uruguay (2,800-3,000), Cuba (12,000), and Mexico (three Marxist parties total maximum of 80,000). Throughout the area, the Communist Parties have accepted the flexible popular front line of the CPSU and are increasingly willing to forego leadership in order to participate with, or infiltrate into, leftist and nationalist groups. There is evidence of the success of this tactic. In Brazil, the Communist Party has succeeded in identifying itself with extreme nationalist elements which have considerable strength in the leftist sectors of all parties and in the armed forces. In Chile "unity of action" has been achieved with the Socialist Party. In Argentina, the Party increased its membership by 25 percent in 1957 (in part through recruiting some Peronist elements) and, having openly endorsed the winning presidential candidate in the recent election, has augmented its political prestige significantly. In Uruguay the liberal political atmosphere combined with a deteriorating economic situation has enabled the legal Communist Party to score notable advances in the labor movement.

In Guatemala, the relaxation of political controls surrounding the recent election permitted Communists to infiltrate the non-Communist left. Many top Communist leaders have returned from exile and the Party is currently rebuilding its forces. In Venezuela, Communists actively participated with other groups in organizing the general strike which resulted in the overthrow of President Perez Jimenez; exiled leaders have returned and the Party's opportunities are greatly enhanced. In Cuba, a very well organized clandestine party -- which claims to be issuing twice the propaganda it did under legal conditions -- is favored by widespread opposition to Batista, and is seeking to promote the same general strike tactics that proved advantageous in Venezuela. In Haiti, Peru, and Colombia conditions have become more favorable for the Communists, and in countries such as Brazil, Bolivia, Chile, and Mexico individual Communists or sympathizers continue to have significant influence within the governments.

Ties with the Soviet Union and Communist China have been strengthened. In November 1957, Latin American Communist Party delegates to the Fortieth Anniversary Celebration in Moscow participated in two well-organized secret meetings:

- (1) A plenary session of representatives from 65 Communist Parties throughout the world, at which the over-all strength of World Communism, the danger of war, the importance of the Communist Peace Movement, and the need to aid the "independence" movements in colonial and semi-colonial countries was emphasized by Khrushchev, Suslov, and others. (The Secretary General of one party, in reporting on the meeting, explained that Latin America was the most vital area in the entire world, as it comprises the principal "forced market" of the United States.)

- (2) A regional session, presided over by the Soviet Communist Party's Latin American specialist and attended by Chinese Communist and all Latin American delegates. This session approved an action program calling for increased coordination and support among Latin American Communist Parties, the revival of the Peace Movement through a Peace Conference to be held in Argentina in mid-1958, the holding of a conference of Northern Latin American Communist Parties, the eventual holding of conferences in defense of Latin American culture and economy, and the stimulation of anti-American sentiment. (One leader has stated that "all the Communist Parties must unite with the national bourgeoisie in support of complete economic independence of the United States, and pressure governments to establish restrictions on foreign investment".) Ways and means of strengthening the Communist-front Latin American Confederation of Labor (CTAL) were also discussed.

There is considerable evidence that the Communists are actively implementing this Moscow action program on a priority basis. Mexico is being further developed as a coordinating center for CP activities in the northern part of Latin America, and the development of one or more similar centers in South America (in Uruguay, Argentina, Brazil or Chile) is also apparent. Evidence from many countries also indicates continued training of top Latin American Communist Party leaders in the USSR and China, with special emphasis on the techniques of illegal or clandestine work. Party leaders with up to two years training in the USSR have recently returned to Mexico, Brazil, El Salvador, Paraguay, Cuba, Guatemala, and probably other countries. It is known that increased training in the USSR and China is scheduled for the future, and that special schools and training courses, are being established within Latin America. False documentation, altered physical appearance, irregular travel route scheduling, and other such devices are increasingly used where necessary. Intensified efforts are being made to reconcile dissident Communists and former leaders and to consolidate the movement where it has been split.

Increased front activity is being undertaken. WFDY representatives have been traveling throughout Latin America to spur organization, coordinate activities, and plan infiltration. Strengthening and decentralizing the labor front (CTAL) is being discussed, and training of labor leaders undertaken. The Peace Movement is being reorganized, in some cases under a different name. Activities favoring human rights and civil liberties are being formed as part of the drive to gain legal status for Communist Parties. Communist and pro-Communist journalists, spurred by the International Organization of Journalists are increasingly active, and evidence suggests that a network of correspondents under Soviet control is now being formed.

The Latin American Communists, particularly in Brazil, are vigorously supporting the Sino-Soviet bloc campaign to expand diplomatic ties, broaden economic relations, and increase cultural contacts. Chinese Communist leaders have promised aid to the Latin American parties through commercial channels, which have also been used by the USSR and its satellites to finance Communist activities in Latin America.

The total membership of the Communist and pro-Communist parties in the Latin American area (including European possessions) is estimated at approximately 295,000. Total sympathizers of these parties number some 570,000. These figures are higher than those used in the Department of State Intelligence Report No. 4489 R-10, dated January 1958, but are based on the most recent information available to this office.

II. Economic Penetration

Latin American economic ties with the Soviet Bloc declined in importance during the early part of 1957, but a reversal of this trend was noted by year-end. By the close of 1957 the Bloc countries made a number of gestures suggesting the possibility of economic assistance, renewed a number of trade agreements, and encouraged an expansion of commercial relations generally.

Brazil

For the January-October 1957 period Brazil's trade with the Bloc totaled \$67.5 million compared with \$73.6 million for the same period in 1956. A number of efforts have been made to reverse this trend. On December 3, the Communist newspaper Liberacao Popular published an interview with Nikita Khrushchev in which he pointed to the possibility of extensive Soviet-Brazilian trade. Toward the end of 1957, a Polish mission visited the Brazilian State of Minas Gerais. Bulgaria and Rumania also were applying continued pressure for expanded trade relations.

Early in December the Economic Minister of the Brazilian Foreign Office, stated that he had written offers from Poland for the development of iron ore and other resources in Minas Gerais with supplementary financing from the USSR if needed. A few weeks later he reported that the USSR had offered to purchase an unspecified amount of coffee with payment in sterling.

To date, very little has come of these efforts. Poland has concluded a contract for the delivery, within a year and a half, of 107,000 metric tons of rails and accessories for a total value of about \$17.7 million. No new trade or payments agreements have been concluded or appear to be under negotiation, but the existing Polish and Czechoslovakian agreements have been extended for six months. The Brazilian Coffee Institute has recently announced the sale of \$6 million worth of coffee to Czechoslovakia. Finally, Brazil is selling sugar to Communist China, perhaps as much as \$10 million worth in 1958.

Argentina

Argentina's trade in 1957 with the Bloc declined from the level reached in 1956. On the basis of data for the first 9 months, it is estimated that total Bloc trade will be less than half of the 1956 level. Nevertheless, Argentina concluded new trade and payment agreements with Poland, Czechoslovakia, Hungary, and Rumania, and is

in the process of renegotiating her trade and payment agreement with the USSR.

In spite of the decline in trade during 1957, various factors point to a larger volume in 1958. Argentina is faced with a growing shortage of hard currency and with a continually pressing need for imports of machinery and essential materials such as oil and coal. Argentina has also accumulated substantial credit balances in her bilateral trade accounts with various Bloc countries.

To take advantage of these credits and to secure needed imports, a purchasing mission sent to the Bloc in January concluded contracts for the purchase of about \$27.3 million, mostly steel rails, machinery and equipment, and pipe. Some of the machinery and equipment, however, was purchased on 4 year credit terms; the mission also negotiated a number of sales. These include a sale of 5,000 tons of wool to the USSR and exports of approximately \$15 million to Czechoslovakia. Argentina will thus be left with substantial credits within the Bloc upon which she may draw. Argentina has offered to make an additional purchase of \$20 million in rails.

Even before the purchasing mission left for Eastern Europe, Argentina signed a contract with Poland for the purchase of 600,000 tons of coal (\$12.6 million).

The 50th anniversary celebration of the YPF (state petroleum monopoly) contained a large exhibit by the USSR.

Uruguay

Uruguay's trade with the Bloc during the first half of 1957 was approximately equal to the level reached in the first six months of 1956, but trade declined during the second half of 1957.

The Bloc has made several important offers of trade and aid within the last few months. Czechoslovakia has offered telecommunication equipment at prices 40 to 50 percent below those offered by Western bidders, for the expansion of the Montevideo telephone system. Early in the Fall of 1957 [redacted] Czechoslovakia, backed by the USSR, was offering financial assistance for the rehabilitation of the Uruguayan railroad system. The USSR and Rumania have offered to sell Uruguay petroleum at "surprisingly competitive" prices. Finally, the USSR has announced that it will henceforth make its wool purchases directly from Uruguay, rather than through third countries.

Other Countries

Cuba has recently sold the USSR 100,000 Spanish Long Tons of

raw sugar valued at about \$8.3 million dollars. This is the first USSR purchase of 1958 from Cuba. In 1957, the USSR purchased 350,000 tons.

Colombia has decided to accept a Russian offer of 20,000 tons of Syrian wheat in exchange for coffee. This follows the visit of a two man Russian trade delegation from the Soviet Embassy in Mexico City.

Chile has recently concluded contracts for the sale of at least 3,500 tons of copper wire to the Bloc. Other sales may be concluded in the near future.

14 March 1958